

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 1963 – HB 2263

March 12, 2018

SUMMARY OF BILL: Requires any life, accident, hospitalization, and health insurance company, doing business in this state that solicits applications or offers for contracts of insurance primarily by internet, to provide at least one office for handling the claims in Memphis, Nashville, Knoxville, or Chattanooga.

ESTIMATED FISCAL IMPACT:

NOT SIGNIFICANT

Assumptions:

- Pursuant to Tenn. Code Ann. § 56-3-201(a), any life, accident, hospitalization, and health insurance company doing business in this state that solicits applications or offers for contracts of insurance primarily by mail, radio, television, or publication of advertisements in a newspaper, magazine, or any other printed publication must provide at least one claim office for handling the claims in Memphis, Nashville, Knoxville, or Chattanooga.
- Expanding this requirement to include solicitations and offers provided through web-based means could result in fewer insurance companies, if being required to have a physical location in Tennessee becomes cost prohibitive for any currently-licensed deferred presentment service business. However, the number, if any, is expected to be not significant.
- Pursuant to Tenn. Code Ann. § 56-3-203, any violation of Tenn. Code Ann. § 56-3-201(a) shall result in a fine of no less than \$500 and no more than \$1,000 for each day a violation occurs. However, any change in fine revenue as a result of this legislation is expected to be not significant.
- This legislation is estimated to have no significant impact upon the DCI.

IMPACT TO COMMERCE:

Other Commerce Impact – Due to multiple unknown factors, the impact to commerce and jobs in Tennessee cannot be determined with reasonable certainty.

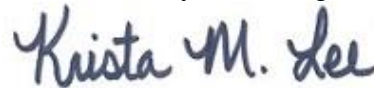
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Assumptions:

- This legislation may result in an entity, which is licensed as a life, accident, hospitalization, or health insurance company in Tennessee and which solicits applications or offers for contracts of insurance primarily through web-based means and does not maintain a physical location in this state, to ensure it has a physical location in either Memphis, Nashville, Knoxville, or Chattanooga to meet the requirement provided in this legislation.
- Acquiring and maintaining a physical location in this state would result in additional expenditures for any affected insurance companies, thus potentially resulting in less profitability, if business revenue and all other business expenditures remain constant.
- Some insurance companies may no longer be able to operate if having a physical location becomes cost prohibitive such that insolvency would occur. In the case of insolvency, there would be a reduction in both business revenue and business expenditures.
- To the extent out-of-state insurance companies recognize an opportunity to compete in Tennessee and relocates to Tennessee as a result of this legislation, additional business revenue and business expenditures would occur.
- Any net impact to commerce and jobs in Tennessee cannot be determined because such impacts are dependent upon these unknown factors.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

/jdb